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Does relative economic status matter for trust and trustworthiness?*

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Abstract

We examine how relative economic status influences trust and trustworthiness, using a lab-in-the-field experiment with 498 participants in Haryana, India. The economic status is measured using self-reported consumption and asset data. Subjects are randomly assigned to opponents with HIGHER, SAME, or LOWER relative economic status. We find that trustors, with a lower economic status opponents, invest more, but relative economic status does not affect trustworthiness, i.e., the amount returned by the trustee. Furthermore, following Charness and Rabin (2002), we find trustees exhibit a social-welfare preference, i.e., prefer to increase the trustor's payoff. In turn, trustors who report trust as the main driver of their decision tend to invest more. We also find weak evidence that trustors with a LOWER economic status opponent are more likely to report trust as the main driver of their decision.

JEL codes: C83, C93, D91, P46

Keywords - Lab-in-the-field experiment, economic status, trust game, social capital

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1 Introduction

Social scientists have long been interested in understanding the dynamics of trust within a society. Knack and Keefer (1997) show that social capital is closely linked to economic development. Trust, a central component of social capital, reduces transaction costs, facilitates cooperation, and supports economic performance (e.g., Zak and Knack (2001), Bohnet et al. (2005), Dasgupta (2005). As Joseph Henrich eloquently explains in his book (Henrich (2020)), trusting strangers [1] is an essential prerequisite for economic prosperity in any society. Market transactions in modern economies rely heavily on economic agents being able to trust strangers. Jachimowicz et al. (2017) further finds that a lack of trust can generate present-focused behavior in the poor, which can further exacerbate the condition of poverty. A natural question that follows is whether economic status systematically shapes trust behavior. If lower economic status is associated with lower trust, and lower trust in turn hinders economic growth, individuals at the bottom of the income distribution may face a persistent disadvantage.

To measure trust, two common methodologies have been used in the literature, namely, using a self-reported survey or using a trust game as designed by Berg et al. (1995). Irrespective of the methodology, the main finding in this literature is that the relationship between trust and economic status is complex and depends on the regional characteristics. Using Generalized Social Survey (GSS) trust measures Alesina and La Ferrara (2002) find that in the US, subjects from historically marginalized communities (e.g., Blacks), or with lower income and education, or from highly unequal neighborhoods, display a lower level of trust. Using similar GSS trust measures across different countries (Russia and Belarus), Gächter et al. (2004) report that socio-economic status (as measured by blue-collar or white-collar jobs) does not significantly affect trust in strangers, although the level of generalized trust in non-student subjects is significantly lower compared to undergraduate student subjects. Using similar self-reported GSS generalized trust measures, Fischer and Torgler (2006) find that respondents in a higher relative economic position (compared to a reference level, such as regional or national income) tend to trust more, i.e., find their environment more trustworthy.

However, measuring trust using self-reported GSS trust measures has been criticized. Glaeser et al. (2000) shows that GSS questions about trust do not predict trust as measured in experiments; rather, they predict trustworthiness in experiments. However, literature suggests the trust game is a better measure of trust than using self-reported trust. The *trust game* or standard investment game, first introduced by Berg et al. (1995), is a two-player sequential-move game, where player 1, the *trustor*, receives an endowment and can choose

[1] Also known as *interpersonal* or *generalized* trust.

to send (or invest) any portion of it to another player, the *trustee*. The amount sent is then multiplied by a factor greater than one. This multiplier creates gains from cooperation and allows for a socially efficient outcome. The trustee then decides how much of the multiplied amount to return to the trustor. The amount sent by the trustor indicates the level of trust, and the amount returned by the trustee indicates the level of trustworthiness.

The evidence of the relationship between trust and economic status using the trust game in an experimental setting is scarce and inconclusive. Smith (2011) reported behavior in the trust game under induced income inequality in the lab setting. He finds that low-endowment subjects paired with high-endowment subjects exhibited higher levels of trust than other pairings, and that this trust was reciprocated with greater trustworthiness. Rukundo (2022) also administered a trust game between subjects across various levels of poverty in Rwanda and found weak evidence that poorer trustees are more trustworthy, i.e., return a higher fraction of the amount received from the trustor. Candelo et al. (2023) find that African Americans exhibit a higher level of interpersonal trust and trustworthiness compared to the standard student population when matched with their neighbors, but a lower level of trust when matched with public officials.

Identifying the causal effect of economic status on trust is challenging because economic status cannot be randomly assigned. Artificially manipulating income rankings in laboratory settings may fail to capture real-world behavior, as individuals' actual financial positions outside the experiment strongly influence their decisions. Instead, in this paper, we conduct a survey to measure the agent's economic status (ES) and use this information to match individuals across different economic statuses. In our experiment, each trustor and trustee is given information about their opponent economic status relative to their own economic status. For example, when a trustor from a higher ES was matched with a trustee from a lower ES, he was informed that his opponent belonged to a LOWER ES compared to him.

The matching across relative economic status allows us to explore the beliefs of the trustor about the trustworthiness of other players across different relative economic statuses compared to himself. Furthermore, by measuring the trustee's actual response, we can verify whether this belief is consistent with the data. To this effect, we conduct a two-stage lab-in-the-field experiment with subjects from agricultural households in the Indian state of Haryana. In the first stage, we assessed the economic status of each participant using a survey instrument tailored to our sample, which measured income, wealth, and other socio-economic and demographic characteristics. Based on this information, we ranked the participants in deciles by economic status (ES) and assigned them to one of three groups: high ES, medium ES, or low ES. Each subject was subsequently matched with someone from the SAME group, a HIGHER group, or a LOWER group. In the second stage, these matched

pairs played the trust game. We ensured that all matches were anonymous and took place across villages, and provided a canonical description of the economic status and the relative ranking of their opponents. Following the game, we conducted a post-experiment survey to understand the motivations behind their choices in the trust game, their economic networks, and their perceptions of inequality.

Our main research question is to understand whether giving information about the opponent's relative economic status affects trust and trustworthiness. Following earlier literature (Alesina and La Ferrara (2002), Fischer and Torgler (2006)) we hypothesize that subjects in LOWER treatment, i.e., whose opponents are in the lower ES are more likely to trust more. This is because only HES and MES subjects are part of the LOWER treatment and if richer subjects are more likely to trust, then the LOWER treatment would exhibit the highest level of trust on average. However, since the trustor's decision is also a function of belief about the trustee, the LOWER treatment subjects would invest more if they are more likely to believe that their opponent will be trustworthy. The data from the post-experiment survey allows us to verify this. However, there is no clear evidence on the relationship between ES and trustworthiness in the literature. Thus, we explore how trustworthiness is affected by knowing an opponent's relative economic status in our context.

In support of the existing GSS trust measure literature (Alesina and La Ferrara (2002), Fischer and Torgler (2006)), we find that subjects in the LOWER treatment (opponent has lower ES) on average invest more as a trustor. However, relative economic status plays no role in trustworthiness. Trustees from different relative economic statuses choose a similar proportion of the amount received to return. Thus, if trustors hold consistent belief about trustworthiness across different ES, then the difference is level of investment across treatment groups is more likely to be explained by the level of generalized trust of the trustor.

Given these results, we further explore the behavioral mechanism that explains them. Following Charness and Rabin (2002), we test whether the trustees in our game exhibit difference-averse preference (similar to that seen in Fehr and Schmidt (1999), Bolton and Ockenfels (2000), etc.) or social-welfare preference where they prefer to increase the monetary payoff of the trustor as well. We find strong evidence against difference-aversion preference. This is further strengthened by the data from post-experiment survey on perception of inequality. We find no consistent evidence that perception of inequality plays any role in trust or trustworthiness. By examining the level of reciprocity for different amounts received, we conclude that the trustees instead are more likely to have a social-welfare preference, and there is no significant heterogeneity in the level of reciprocity across treatment groups.

Furthermore, examining the motivations underlying Player 1's investment decision, we find that trustors who report trusting the other player, i.e., expect the other player to return

the favor, and both will be in a win-win situation, invest significantly more. Subjects in the LOWER treatment (opponent is lower ES) are more likely to report trusting their opponents than subjects in the HIGHER treatment (opponent is higher ES), although the difference is not significant at traditional levels (p-value 0.12).

As a robustness check we use subject's self-reported network as a proxy for generalized trust and find weak evidence that subjects from LOWER treatment (opponent is lower ES) are more likely to have higher generalized trust and a higher level of generalized trust translates into higher investment by trustors.

Related Literature

Empirical studies (e.g., Berg et al. (1995), Burks et al. (2003), Ashraf et al. (2006), and Danielson and Holm (2007)) consistently demonstrate deviations from theoretical predictions based on Nash equilibrium, highlighting the need to reassess the assumptions underlying decision-making processes. Henrich et al. (2001), in their examination of 15 small-scale societies, illustrate varying degrees of prosocial behavior across different societies. Our paper extends this inquiry by conducting a lab-in-the-field experiment in a non-WEIRD[2] context. When compared with studies from the meta-analysis by Johnson and Mislin (2011), we find that both the trustor's and the trustee's behavior in our experiment is similar to the world average. However, when compared to the Indian rural agricultural population, we find our trustors give a similar amount to the sole previous study done in the same context by Bouma et al. (2008), but our trustees return a significantly higher proportion. This shows significant regional variation even within the Indian rural context[3].

Several papers have considered the role of experiment-induced inequality in trust and trustworthiness in the lab context. Anderson et al. (2006) induces heterogeneity among its subjects by offering different show-up fees and by making the information public or private. However, they do not find significant evidence of differential behavior by induced heterogeneity. Greiner et al. (2012) consider a dynamic environment in a lab setting where subjects start with equal or unequal wealth distributions in the experiment. They find that in economies with equal endowments, trust and trustworthiness depend on wealth comparisons. Trust declines under equal endowments, but remains largely stable under unequal endowments. Bejarano et al. (2021) experimentally examines how inequality generated by a negative random shock influences trust and trustworthiness. The results show that when inequality favors the second mover, first movers send more and second movers return more, indicating higher levels of trust and trustworthiness under disadvantageous inequality for

[2]Western, Educated, Industrialized, Rich and Democratic Henrich (2020)

[3]The earlier study was conducted in six villages across Maharashtra, Andhra Pradesh, and Rajasthan, and ours was conducted in 24 villages in Haryana.

trustors.

Previous studies, such as Brañas-Garza et al. (2020) and Pulickal and Chakravarty (2022), have also examined the role of relative economic status in shaping social preferences. In the lab setting, Brañas-Garza et al. (2020) studied the effect of revealing information truthfully about the self-reported economic status (rich or poor) of the other player in the Dictator Game. Pulickal and Chakravarty (2022) also develops a wealth/assets index and uses a design where the relative status of the other player is revealed to study the effect of both the sender's and the recipient's economic status on giving in the Dictator Game among adolescents enrolled in school in urban India.

The rest of the paper is organized as follows: Section 2 outlines the experimental design and procedures. Section 3 discusses the main results. Section 4 discusses the behavioral mechanism behind the observed data. Finally, Section 5 concludes.

2 Experiment Design

2.1 Timeline

The study was conducted in two stages: a baseline survey to measure *economic status*, followed by a single session of games to elicit *social capital, i.e., trust*. In the first stage, surveyors administered a detailed questionnaire (see Appendix C for the questionnaire) to collect basic demographic information about the subjects, as well as data on their revenue and expenses to estimate their economic status. In addition, questions were included to gauge the subjects' perceptions of their relative economic status.

In the second stage, subjects were matched anonymously with another player from a different village and they played three variants of two-person social preference games in randomized order. In this paper, we only consider the behavior observed in the trust game.

The pilot for the study was conducted in March 2023. Following our learning from the pilot, the study was preregistered with OSF in early May 2023, and the main experiment was conducted in May-June 2023. The gap between the first and second stage was 7-10 days for any subject. The diagram below (figure 1) illustrates the timeline of the experiment.

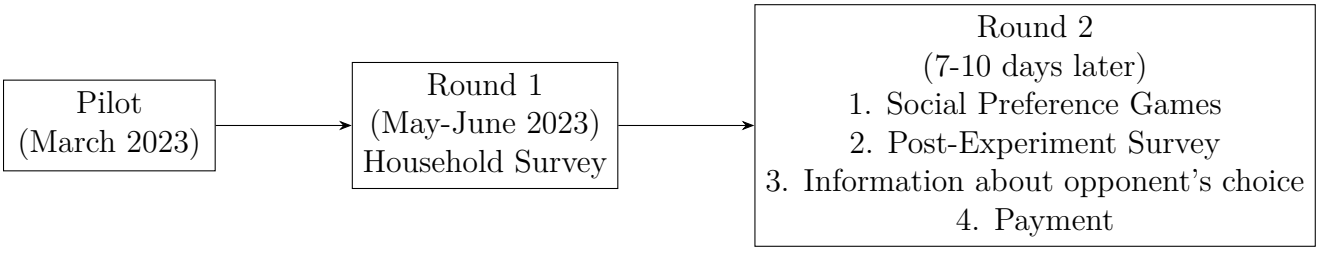

Figure 1: Timeline

2.2 Sample

In our first stage survey conducted in rural Haryana, India, we gathered data from a sample of 576 subjects. All subjects resided in rural villages and had agriculture as their primary source of income. To achieve a representative sample, a total of six districts were included in the survey: Sonipat, Panipat, Jind, Karnal, Ambala, and Kaithal.[4] Four villages were selected from each district, and 24 male[5] respondents were selected from each village.

Figure 2: Geographical Distribution of Selected (Blue) and Other (Grey) Districts in Haryana

In the second stage, we were able to reach 498 individuals because some participants were not available. We designated 249 individuals as trustors and 249 as trustees. For the post-experiment survey, we have data from 498 individuals regarding their perceptions of

[4]We selected these districts based on their rankings in agricultural development out of the 21 districts in Haryana (Charkhi Dadri, formed in 2016, was not included as the ranking is based on 2011 data). The rankings of the districts are as follows: Panipat (9), Ambala (17), Karnal (7), Sonipat (10), Kaithal (5), and Jind (3) (see Table 1, Ohlan (2013)).

[5]Since gender can play an important role in trust behavior, we interviewed only male subjects. This allowed us to improve the power of the study, given our limited resources.

inequality and their economic networks, and data from 249 individuals on potential reasons behind their investment as trustors.

2.3 Demographic Details

Table 1 below gives the demographic distribution of our subjects with regard to caste category, religion, and education as measured in the first stage survey. Columns (1) and (2) report the Frequency and Percentage, respectively, of the category in our sample. Column (3) reports the percentage of the same categories as found in the Census, 2011[6].

	(1) **Frequency**	(2) **Percentage**	(3) **Census 2011 (%)**
Religion			
Muslim	4	0.7	7
Hindu	555	96.4	87.46
Sikh	17	3	4.91
Caste			
Scheduled Tribe	27	4.7	0
Scheduled Caste	64	11.1	20
OBC	94	16.3	12
General	391	67.9	68
Education			
Illiterate	65	11.3	22.9
Literate w/o formal schooling	9	1.6	2.1
Literate w/ formal schooling	15	2.6	3.5
Primary	78	13.5	16.4
Middle	73	12.77	12.9
Secondary	138	24	19.66
Higher-Secondary	128	22.2	13.5
Diploma/Certificate course	17	3	1.58
Graduate	51	8.9	7.14
Post Graduate +	2	0.3	0.32
N	576	100	100

Table 1: Demographic description of the sample

While comparing the survey results with the state data, we find a proportional representation of different caste categories, namely, Scheduled Castes (SC), Other Backward Classes (OBC), and General (GEN), although we have more Scheduled Tribe (ST) subjects compared to the Census (2011). Regarding religion, since our survey was conducted in the northern part of Haryana (bordering Punjab and Uttar Pradesh), we have an over-representation of the Hindu and Sikh population. For education levels, our sample does not significantly deviate from the state average.

2.4 First Round: Survey

We utilized a modified NSS format for data collection, specifically drawing from the Situation Assessment Survey of Agricultural Households (NSS 70th round). The housing condition assessment is derived from section 13 of the Household Questionnaire of the Potato Supply

[6] Office of the Registrar General and Census Commissioner, India (2011)

Chain Survey in Uttar Pradesh (2014). Additionally, we include a set of questions to measure assets, encompassing vehicles and farm equipment, and finally, subjects' self-reported economic group beliefs.

Based on the information collected in the first stage, we rank each subject using an Economic Status Index (ESI). The ESI is constructed by averaging two variables: total assets rank (as a measure of wealth) and consumption expenditure rank (as a proxy for income). We use household consumption expenditure rather than self-reported income to construct our economic status index. This choice follows standard practice in development economics: income in rural settings is highly volatile, seasonally driven, and susceptible to systematic underreporting. By contrast, consumption is smoother over time, easier for respondents to recall, and widely regarded as a more accurate measure of permanent income and living standards (Grosh and Glewwe (2000)). In our data, the correlation between reported income and consumption expenditure is modest (approximately 0.20), consistent with the presence of substantial measurement error in income. This reinforces the choice of consumption as the preferred welfare indicator.

To assess robustness, we also construct an alternative economic status index using the average of income rank and asset rank, instead of the average of consumption expenditure rank and asset rank. The correlation between the two resulting indices is 0.7426, indicating that, despite the noise in reported income, the income–asset index aligns reasonably well with our preferred consumption–asset index. In contrast, the correlations between assets and consumption (0.518) and between assets and income (0.4545) are more modest, though still positive. This suggests that while all three measures are related, wealth (as captured through assets) reflects a somewhat different dimension of household economic status compared to income or consumption. The total asset rank is itself a rank of an average of the land rank, housing condition rank, and assets rank. Household economic status is a composite measure that reflects both the income and wealth of the respondent's household.

To construct a composite measure of household economic status, we first divided each underlying variable, consumption expenditure (for consumption rank), landholding, asset ownership, and housing quality (for wealth rank), into deciles based on their respective distributions. This procedure normalizes each variable to a common 1–10 scale, mitigating the effect of differences in units and dispersion. For the wealth rank we then computed the average of these decile ranks from landholding, asset ownership, and housing quality to obtain a wealth rank and then combined it with the consumption rank to obtain the household's overall economic status score. We intentionally used a rank-based composite rather than principal component analysis (PCA) because the underlying variables are measured on different and partly ordinal scales. Note that PCA relies on variance and is sensitive

to outliers, whereas our method captures households' relative economic standing in a way that is robust and transparent. This approach is commonly used in field experiments where absolute monetary measures are noisy or incomparable.

Finally, we divided the resulting index into deciles again to classify households into ten relative economic categories, where 1 denotes the poorest and 10 denotes the wealthiest. Using the decile level information, we divide the subjects into three economic status groups: low economic status (LES), medium economic status (MES), and high economic status (HES). Subjects with an ESI in the first three deciles are assigned a low economic status, those in the fourth to seventh deciles are assigned a middle economic status, and those in the last three deciles are assigned a high economic status. This economic status information is then used for matching subjects in the second stage. Table 2 shows the distribution of monthly consumption expenditure and assets across the three economic status groups.

	High	Medium	Low	Total
Monthly consumption expenditure (INR)	45037	26847	14912	27964
	(20848)	(12877)	(5982)	(18354)
Land (acre)	15.00	5.00	2.00	7.00
	(15.00)	(6.00)	(3.00)	(10.00)
Assets	7.00	3.00	2.00	4.00
	(4.00)	(2.00)	(1.00)	(3.00)
Housing condition	14.00	12.00	11.00	12.00
	(3.00)	(2.00)	(2.00)	(3.00)
N	162	221	193	576

Table 2: Economic Indicators and Wealth Differences among Different Economic Groups

2.5 Second Round: Lab-in-the-field Experiment

In the second stage, 498 participants[7] took part in a lab-in-the-field experiment setting followed by a post-experiment survey. On the day of the experiment, participants received both verbal and printed instructions (see Appendix C for the instructions). First, they were given information about their matched partner's economic status, acres of land, average monthly income, and assets they owned. They were also explicitly informed whether their

[7]Among the 78 participants lost to attrition, 33.33% belonged to the High Economic Status (HES) group, 29.49% to the Low Economic Status (LES) group, and 37.18% to the Middle Economic Status (MES) group. These proportions are broadly comparable across groups, indicating that dropout rates are approximately balanced. The absence of disproportionate attrition in any one economic-status category suggests that selective attrition is unlikely to bias our analysis along economic status.

partner belongs to the SAME, HIGHER or LOWER economic status group. The main treatment in this experiment were the information about the relative economic status of individual's pair (see Table 3). In Treatment-1, subjects were informed that they were matched with a person of similar economic status (SAME). In Treatment-2, subjects were informed about the higher economic status (HIGHER) of their pair. In Treatment-3, subjects were informed about the lower economic status (LOWER) of their pair. Note that individuals with high economic status (HES) could be exposed to only two treatments, i.e., SAME or LOWER. Similarly, individuals with low economic status (LES) could be exposed to only two treatments, i.e., SAME or HIGHER. In contrast, individuals with middle economic status (MES) could be assigned to any of the three treatments.

	Treatment	Economic Status matching
T1	SAME	H–H, M–M, L–L
T2	HIGHER	L–M, L–H, M–H
T3	LOWER	H–M, H–L, M–L

Table 3: Treatment Conditions and Feasible Economic Status Matchings

The experiment consisted of three games: the dictator game (D), the ultimatum game (U), and the trust game (T). For this project, we focus exclusively on the Trust Game. The subjects were asked to play each of the three games with the same opponent. To minimize order effects, where the sequence of games influences participants' responses, we randomized the sequence of games. Thus, participants could experience any of the six possible sequences: DTU, DUT, UDT, UTD, TDU, and TUD. They were also informed that they would play different games with the same partner. Each subject was either assigned the role of player 1 or player 2, and the role did not change across the different games.

We used a within-subjects design for the games and a between-subjects design for the treatments.[8] The between-subjects design allowed us to assess the effects of different treatments while avoiding added complexity and potential reliability issues that could arise from pairing the same subject with opponents of varying economic status.

In the Trust Game (T), the trustor gives the trustee a division of 300 INR in increments of 50 INR (i.e., the trustor's offer $\in \{0, 50, 100, \ldots, 300\}$). The amount sent by the trustor

[8]A within-subjects design refers to an experimental approach where the same participants are exposed to all conditions, games, or treatments. This design allows for direct comparisons of each individual's responses across different conditions, making it possible to observe changes and effects within the same subject. On the other hand, in a between-subjects design, different participants are assigned to different treatments. This approach helps avoid potential carryover effects from one treatment to another, ensuring that the results are not influenced by participants' experiences under previous conditions.

is then tripled. The trustees' responses were elicited via the strategy method, where each trustee specified how much they would return for every possible amount given by the trustor.

Subjects were not allowed to communicate with their opponent during the entire experiment. They reported their choices to the Research Assistants (RAs) in the field. After the experiment session (all three games and the post-experiment survey) ended for both players, since the matched participants were from different villages, RAs communicated the other player's decisions via mobile phone, after which subjects were paid. Since during the experiment sessions, neither the subjects were aware of the opponent's choice in earlier games, nor were they given any feedback on their decisions, there was no room for learning for either players.

For monetary incentives, each participant received a participation fee of INR 200[9]. In addition to this fee, they received a realized payment randomly from one of the three games, with the amount depending on their and their matched partner's decisions. Therefore, the amount they could potentially earn from the trust game ranged from INR 200 to INR 1100.[10]

2.6 Second Round: Post-Experiment Survey

The post-experiment survey was conducted after collecting their decisions in the game but before the subjects learned about their opponent's choice. This was designed to ensure we can measure their belief about the opponent's behavior in the game and their responses are not affected by the actual outcome of the experiment.

To capture the belief of trustors behind their investment decision, the trustors were asked to provide reasons for the decisions they made in all games. Note that the belief elicitation question was administered before the subjects learned about the opponent's actual choice. This allows us to explore the possible behavioral mechanism behind the trustor's behavior.

Additionally, the post-experiment survey included questions about the subjects' perceptions of economic inequality at the village, district, and state levels. We accounted for the perception of income inequality as it can affect prosocial behavior in different games. Gallego (2016) showed through an experiment that increased perception of income inequality leads to reduced self-reported generalized trust among the poor. Participants were also asked whom they would assist when a financial crisis arises due to *a family member falling sick* or due to *a bad harvest*, and whom they themselves would turn to for help in such situations. Bekkers et al. (2005) and van Rijsewijk et al. (2016) shows that social networks influence prosocial

[9]In economic experiments, providing the participant with monetary incentives serves several important purposes such as incentivizing real decision-making, enhancing external validity, minimizing hypothetical biases, and ethical considerations.

[10]The sum of money provided to participants for an hour can be deemed significant, considering that agricultural laborers receive approximately INR 450-550 for an 8-hour work shift. Source: *Statistical Abstract of Haryana 2021-22*.

behavior. Therefore, we also accounted for social networks.

3 Results

3.1 Hypothesis

In the following two subsections, we test the main hypothesis, i.e., whether knowing the relative economic status of the other player (HIGHER, SAME, LOWER) affects the investment decision by the trustor (player 1) and the amount returned by the trustee (player 2). Since relative economic status of opponents is randomly assigned within the experiment, it allows us to perform causal analysis. Previous literature on GSS trust measures suggests that individuals with higher economic status exhibit greater trust. If relative economic advantage increases confidence in exchange or raises expectations of reciprocity from lower-status partners, we expect trustors to invest more when they are relatively higher in economic status. Hence, in section 3.2 we test the following hypothesis

H 1. *Trustors in LOWER treatment (opponent is lower ES) would invest the highest amount, followed by trustors in SAME (opponent is same ES) and trustors in HIGHER treatment (opponent is higher ES) would invest the least amount.*

We measure the Player 1's investment decision as a proportion of the endowment sent to player 2. We next examine whether relative economic status influences trustee reciprocity. Unlike the trustor case, existing literature provides no unambiguous prediction regarding how relative status should affect return behavior. In section 3.3 we test the following hypothesis,

H 2. *Information about the opponent's relative economic status does not affect player 2's decision to reciprocate.*

where we measure the player's decision to reciprocate as the proportion of the total amount received (three times the money sent by Player 1) returned to player 1.

3.2 Trustor Behavior

On average, trustors in our sample invest 119 INR (39.66%) from their endowment of 300 INR to the trustee. Figure 3 shows the distribution of the amount invested by the trustor in the trust game. The most frequent response is to contribute 100 INR. This allocation results in the trustee receiving 300 INR, while the trustor is left with 200 INR. Additionally, a small proportion of players also adhere to the Nash equilibrium solution (6.43%) - giving nothing to the trustee - and the Pareto optimal solution (6.83%) - giving the entire endowment of 300 to the trustee. This observation is similar to the average investment found in the meta-analysis by Johnson and Mislin (2011). Among the 161 studies included in the meta-analysis, trustors on average send about 50% (with a sd of 12.4%) of their endowment to the trustee, and our

estimates are not statistically significantly different. Bouma et al. (2008) had settings closest to ours, in which they administered trust games to a rural agricultural Indian population. They find that trustors send between 33% and 66% of the initial endowment; our results lie closer to the lower end of this range.

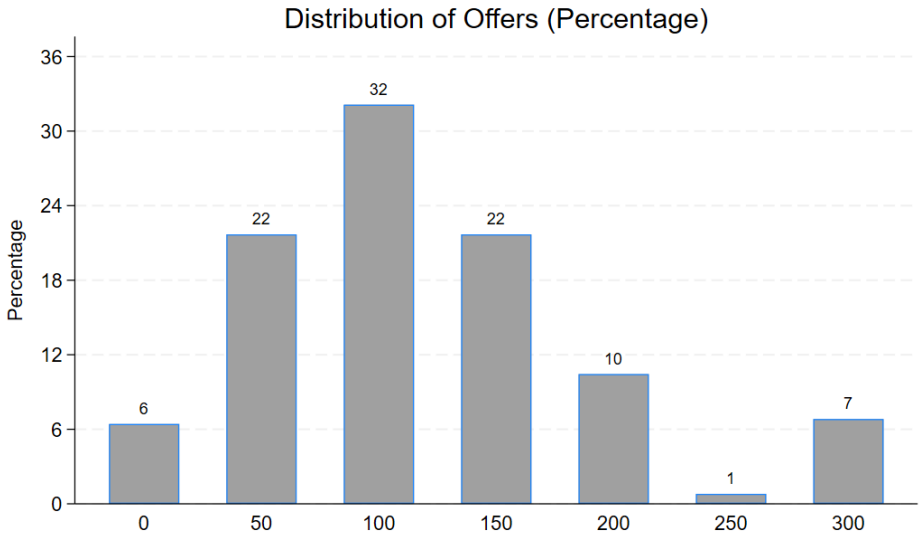

Figure 3: Percentage of trustors choosing each Investment Level in the Trust Game

We find considerable heterogeneity in trust behavior across relative economic status, as shown in table 4.

	(1) LOWER	(2) SAME	(3) HIGHER	(4) Total
Proportion_invested	0.44	0.38	0.37	0.40
	(0.24)	(0.24)	(0.25)	(0.24)
N	82	108	59	249

Standard deviations in parentheses

Table 4: Average proportion invested by trustor based on relative economic status

We interpret this as evidence against for H1. To assess the impact of the relative economic status of the trustor on the investment more formally, we use the following regression equation:

$$Proportion\_invested_i = \alpha_0 + \alpha_1 \cdot LOWER_{ij} + \alpha_2 \cdot SAME_{ij} + X_i + U_i \tag{1}$$

$Proportion\_invested_i$ refers to the proportion of the endowment invested by the trustor.

Our main variable of interest is relative economic status, defined by $HIGHER$, $SAME$, and $LOWER$. $LOWER_{ij}$ takes a value of 1 if player j, i.e, the trustee's economic status, is lower than player i, i.e., the trustor's, 0 otherwise. All other relative economic status variables are defined similarly. $HIGHER_{ij}$ is the omitted category here. X_i denotes the vector of control variables: age, education, religion, and social group. In addition to estimating the baseline specification, we report models that control explicitly for the trustor's economic status to separate relative-status effects from own-status effects. These additional controls ensure that the estimated coefficients on relative economic status are not mechanically driven by differences in wealth composition.

Table 5 reports the result from regression equation 1. Column (1) reports the regression results without the control, and column (2) reports the regression results with controls. We find that trustors (player i) who are matched with a LOWER-ES trustee (player j) invest more on average than trustors (player i) who are matched with a HIGHER-ES trustee (player j), where the difference is statistically significant at 10% significance level. Column (3) presents the specification that controls for the trustor's economic status only. Column (4) additionally includes the full set of demographic control variables.

	(1)	(2)	(3)	(4)
Dependent variable: Proportion_invested				
$LOWER_{12}$	0.0738*	0.0830*	0.0586	0.0900
	(0.0414)	(0.0458)	(0.0619)	(0.0651)
$SAME_{12}$	0.0109	0.0218	0.00290	0.0249
	(0.0393)	(0.0421)	(0.0477)	(0.0501)
Trustor_economic_status (Medium)	-	-	0.0107	−0.00314
			(0.0466)	(0.0483)
Trustor_economic_status (High)	-	-	0.0186	−0.00963
			(0.0559)	(0.0599)
Controls	✗	✓	✗	✓
Constant	0.367***	0.333***	0.366***	0.332***
	(0.0316)	(0.112)	(0.0322)	(0.113)
Observations	249	249	249	249

Standard errors in parentheses.

* Significant at 10%; ** Significant at 5%; *** Significant at 1%.

Base category for trustor economic status is Low economic status trustors.

$LOWER_{12}$ refers to player 2 belonging to a lower ES compared to player 1.

$SAME_{12}$ refers to player 2 belonging to the same ES compared to player 1.

Table 5: Effect of relative trustor status and household economic status on investment

The one-tailed test $p - value$ for the specification in column 2 is 0.0357, and for the specification in column 4 it is 0.0839. Taken together, we find weak support for hypothesis H1, since trustors matched with a LOWER economic status trustee invest more than the trustor matched with HIGHER economic status trustee, but trustors matched with SAME economic status trustee doesn't behave significantly different than the trustor matched with HIGHER economic status trustee.

3.3 Trustee Behavior

In our experiment, trustees on average return around 36 – 42% of the amount they receive from the trustor. For example, if the trustor sends 50 INR, so that the trustee receives $50 \times 3 = 150$ INR, trustees on average state that they would return approximately 36% of the amount received, i.e., they return around 54 INR on average. This contrasts with the Nash equilibrium prediction of returning zero and with the socially optimal outcome of equal sharing. The average return proportions imply that, for any amount $x \in \{50, 100, 150, 200, 250, 300\}$, the expected amount returned to the trustor is approxi-

mately $1.08x$ to $1.25x$ on average. Thus, based on observed choices measured by the strategy method, trusting and sending a strictly positive amount yields a positive expected return for trustors. This behavior is in line with the previous literature (Johnson and Mislin (2011)), where they showed globally subjects return around 37% of the amount received[11]. However, Bouma et al. (2008) found that in the Indian agricultural context, trustees return between 25% and 32% on average, thus making it suboptimal for the trustor to invest in the first place. This is in contrast to our result.

Table 6 illustrates the level of heterogeneity in return behavior by relative economic status. Unlike the investment decision made by player 1, we do not find a considerable level of heterogeneity in return behavior by relative economic status.

	(1)	(2)	(3)	(4)
	LOWER	SAME	HIGHER	Total
Proportion_returned_50	0.38	0.35	0.36	0.36
	(0.26)	(0.23)	(0.29)	(0.26)
Proportion_returned_100	0.38	0.37	0.37	0.37
	(0.27)	(0.21)	(0.27)	(0.25)
Proportion_returned_150	0.40	0.37	0.37	0.38
	(0.25)	(0.18)	(0.25)	(0.22)
Proportion_returned_200	0.42	0.40	0.39	0.40
	(0.24)	(0.20)	(0.24)	(0.23)
Proportion_returned_250	0.44	0.41	0.40	0.41
	(0.23)	(0.19)	(0.23)	(0.22)
Proportion_returned_300	0.44	0.42	0.40	0.42
	(0.24)	(0.18)	(0.24)	(0.22)
N	61	101	87	249

Standard deviations in parentheses

Table 6: Average proportion returned by trustee conditional on amount received and relative economic status

To assess the impact of the relative economic status of the trustee on their return decision, we use the following regression equation:

$$Proportion\_returned_j = \alpha_0 + \alpha_3 \cdot LOWER_{ji} + \alpha_4 \cdot SAME_{ji} + X_j + U_j \tag{2}$$

[11] Although the average in Asia is higher at 46%, it is not statistically significantly different.

In the regression, $Proportion\_returned_j$ represents the proportion returned by the trustee (player j), i.e., the ratio of amount returned and amount received. Our main variable of interest is relative economic status, defined by $LOWER_{ji}$, $SAME_{ji}$, $HIGHER_{ji}$. $LOWER_{ji}$ takes a value of 1 if the trustor (player i's) economic status is lower than the trustee's (player j), 0 otherwise. All other relative economic status variables are defined similarly. X_j denotes the vector of control variables: age, education, religion, and social group. $HIGHER_{ji}$ is the omitted variable here. Similar to the analyses for trustor, in addition to estimating the baseline specification, we report models that control explicitly for the trustee's economic status to separate relative-status effects from own-status effects. These additional controls ensure that the estimated coefficients on relative economic status are not mechanically driven by differences in wealth composition.

Table 7 reports the result from equation 2. Columns (1) report the regression results without the controls, and columns (2) report the same with controls.

	(1)	(2)	(3)	(4)
Dependent variable: proportion_returned				
$HIGHER_{21}$	0.0348	0.0212	-0.0296	-0.0398
	(0.0430)	(0.0436)	(0.0511)	(0.0497)
$SAME_{21}$	-0.00635	-0.0132	-0.0362	-0.0398
	(0.0342)	(0.0351)	(0.0386)	(0.0394)
Trustee_economic_status (Medium)	-	-	0.0378	0.0397
			(0.0378)	(0.0431)
Trustee_economic_status (High)	-	-	0.110**	0.116**
			(0.0511)	(0.0579)
Controls	✗	✓	✗	✓
Constant	0.380***	0.370***	0.369***	0.369***
	(0.0283)	(0.0961)	(0.0315)	(0.0963)
Observations	1290	1290	1290	1290

Standard errors in parentheses are clustered at the individual level.

* Significant at 10%; ** Significant at 5%; *** Significant at 1%.

$HIGHER_{21}$ refers to the trustee being matched with a higher ES player 1.

$SAME_{21}$ refers to the trustee being matched with a same ES player 1.

Table 7: Marginal effect of trustees' relative economic status on trustworthiness

In table 7, unlike the trustors, we find no evidence of trustee behavior related to relative economic status. Thus, we do not get sufficient evidence to reject H2.

4 Behavioral Mechanism of Trust and Trustworthiness

In this section, we consider the fairness-reciprocal equilibrium concept following Charness and Rabin (2002) which explains behavior in a 2-person sequential move game. According to this theory, let $U_2(\pi_1, \pi_2)$ denote the utility of player 2 given monetary payoffs π_1 and π_2 for player 1 and player 2 respectively. Then the preference of player 2 would be given by

$$U_2(\pi_1, \pi_2) = (\rho.r + \sigma.s + \theta.q)\pi_1 + (1 - \rho.r - \sigma.s - \theta.q)\pi_2 \tag{3}$$

where $r = \mathbf{1}_{\{\pi_2 > \pi_1\}}$, $s = \mathbf{1}_{\{\pi_1 > \pi_2\}}$ and $q = -1$ only if player 1 misbehaved and 0 otherwise. Given the positive reciprocity nature of the trust game, player 1 can only misbehave by giving 0, in which case, player 2 cannot choose to retaliate in any way. Thus, for the rest of the analysis, we assume $q = 0$ and rewrite the utility function of player 2 as,

$$U_2(\pi_1, \pi_2) = (\rho.r + \sigma.s)\pi_1 + (1 - \rho.r - \sigma.s)\pi_2 \tag{4}$$

Given this specification, they characterize three types of possible behavior as follows:

$$\begin{aligned} \text{competitive preference} \quad & \sigma \leq \rho \leq 0 \\ \text{difference aversion} \quad & \sigma < 0 < \rho < 1 \\ \text{social-welfare preference} \quad & 0 < \sigma \leq \rho \leq 1 \end{aligned}$$

To interpret the classification, consider the case where player 2 is in a disadvantageous position $\pi_2 < \pi_1$, i.e., $s = 1, r = 0$. If $\sigma < 0$, then in this case player 2 would choose to reduce the payoff of player 1, π_1, to the level where $\pi_2 = \pi_1$ or the lowest possible value of π_1 if possible. For example, an inequity-averse player (Fehr and Schmidt (1999)) would prefer to reduce the disadvantageous inequality. However, if player 2 chooses to increase π_1 in such a case, $\sigma > 0$. Furthermore, if $\sigma < 0$, player 2 would never choose an action such that $\pi_1 > \pi_2$.

The following table denotes the possible choice of the trustee given $\sigma < 0$ and compares it against the data in our experiment. Let p_1 denote the share of initial endowment that player 1 invests. Then player 2 receives $3 * 300p_1$. Out of which, suppose player 2 decides to return a share of p_2 such that the monetary payoffs of both agents are π_1 and π_2 respectively,

where

$$\pi_1 = 300(1 - p_1) + 900p_1p_2 = 300 - 300p_1(1 - 3p_2); \tag{5}$$

$$\pi_2 = 900p_1(1 - p_2) \tag{6}$$

Thus player 2's utility function in terms of p_1 and p_2 would be

$$\begin{aligned} U_2(p_1, p_2) &= (\rho.r + \sigma.s)(300 - 300p_1(1 - 3p_2)) + (1 - \rho.r - \sigma.s)900p_1(1 - p_2) \\ &= 900p_1(1 - p_2) + \rho.r.300(1 - 4p_1 + 6p_1p_2) + \sigma.s.300(1 - 4p_1 + 6p_1p_2) \end{aligned} \tag{7}$$

Given the parameters of player 2's preference, let p_2^* denote the optimal choice. If the agent is difference averse, i.e., $\sigma < 0$, and $s = 1$ then optimally player 2 would choose,

$$300(1 - 4p_1 + 6p_1p_2^*) \leq 0 \quad \Rightarrow p_2^* \leq \frac{4p_1 - 1}{6p_1} \tag{8}$$

Let $\hat{p}_2$ denote the average proportion of the amount returned by the trustee in the data. The following table shows the comparison between the optimal choice p_2^* and the actual choice $\hat{p}_2$, against different levels of p_1 (proportion invested)

Amount_received	150	300	450	600	750	900
Implied p_1	0.161	0.333	0.5	0.667	0.833	1
p_2^* (Optimal if $\sigma < 0$)	0	≤ 0.167	≤ 0.333	≤ 0.416	≤ 0.467	≤ 0.5
$\hat{p}_2$ (actual choice)	0.36	0.37	0.38	0.40	0.41	0.42

Table 8: Testing for inequality aversion: Player 2

Table 8 shows that when player 2 receives an amount below or equal to INR 450, he willingly chooses to return a high proportion such that $\pi_2 < \pi_1$. Thus, if the amount received by player 2 is below INR 450, the actual choices of player 2 are inconsistent with $\sigma < 0$. Figure 4 shows this graphically. If $\sigma < 0$, the chosen level of $\hat{p}_2$ would lie in the red shaded region. However, for amounts lower than INR 450, the actual choices are outside the shaded region. The bars indicate the 95% CI.

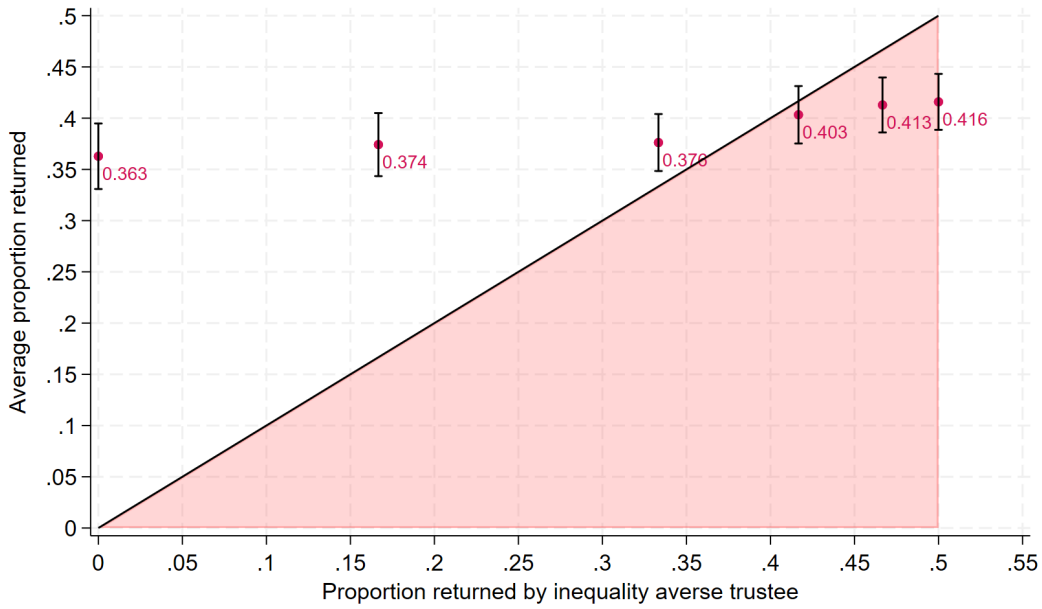

Figure 4: Average amount returned by trustees against the prediction from Fehr and Schmidt (1999), Bolton and Ockenfels (2000)

Furthermore, instead of looking at the average value of p_2, when we consider the distribution of p_2 we find that, given $p_1 = 0.161$, only 20% of the trustees return 0 amount and 57% trustees choose to return $p_2 = 0.33$, which contradicts the prediction of the model under $\sigma_2 < 0$. Thus we can conclude the majority of the trustees in our sample, do not exhibit the difference-aversion preference.

When player 2 receives an amount higher than or equal to INR 600, he chooses $\hat{p}_2$ such that $\pi_2 > \pi_1$. In this case, we explore the sign of ρ. As shown in the table 8, for all this cases $\hat{p}_2 > 0$ and increasing in the amount received, i.e., when the difference between the amount received by player 2 and the amount retained by player 1 is higher, player 2 returns a higher proportion but not equalizes their payoff, which implies $\rho \in (0, 1)$. This implies our subject exhibit social-welfare preferences as defined by Charness and Rabin (2002).

To further validate this, we consider the following hypothesis.

H 3. *For a higher level of investment by player 1, player 2 would reciprocate by choosing a higher level of p_2; however, the level of reciprocation would not be different across different treatment groups.*

To test the hypothesis, we run the following regressions,

$$Proportion\_returned_j = \alpha_0 + \alpha_5 \cdot Amount\_received_{ji} + X_j + U_j \tag{9}$$

$$\begin{aligned} Proportion\_returned_j = \alpha_0 &+ \alpha_5 \cdot Amount\_received_{ji} + \alpha_6 \cdot LOWER_{ji} + \alpha_7 \cdot SAME_{ji} \\ &+ \alpha_8 \cdot Amount\_received_j \times LOWER_{ji} \\ &+ \alpha_9 \cdot Amount\_received_j \times SAME_{ji} + X_j + U_j \end{aligned} \tag{10}$$

$Amount\_received_{ji}$ denotes the total amount received by the trustee (player j), i.e., the amount given by the trustor (player i) multiplied by 3. The first specification tests whether player 2 chooses to return a higher proportion of the amount received as the amount received increases, i.e., a positive value for α_3. The second specification tests whether this norm differs across different relative economic statuses.

	(1)	(2)
Dependent variable: proportion_returned		
Amount_received	0.0000714***	0.0000714***
	(0.0000151)	(0.0000151)
Controls	✗	✓
Constant	0.348***	0.326***
	(0.0181)	(0.0961)
Observations	1290	1290

Standard errors in parentheses.

* Significant at 10%; ** Significant at 5%; *** Significant at 1%.

Table 9: Marginal effect of amount received by trustees on average proportion returned by trustee

Table 9 shows that as the level of amount received by the trustee increases, so does the proportion returned, but the level of change in p_2 is small in magnitude. Thus, we find evidence for H3, i.e., player 2 exhibits weak reciprocity.

	(1)	(2)
Dependent variable: proportion_returned		
Amount_received	0.0000524**	0.0000524**
	(0.0000252)	(0.0000253)
$LOWER_{21}$	0.0336	0.0201
	(0.0513)	(0.0522)
$SAME_{21}$	-0.0296	-0.0365
	(0.0424)	(0.0430)
Amount_received× $LOWER_{21}$	0.00000214	0.00000214
	(0.0000415)	(0.0000417)
Amount_received× $SAME_{21}$	0.0000443	0.0000443
	(0.0000339)	(0.0000340)
Controls	✗	✓
Constant	0.353***	0.343***
	(0.0347)	(0.0975)
Observations	1290	1290

Standard errors in parentheses.

* Significant at 10%; ** Significant at 5%; *** Significant at 1%.

Table 10: Marginal effect of amount received by trustees on average proportion returned by trustee based on RES

Table 10 shows the level of reciprocity chosen by player 2, in response to player 1's investment, is not different across the different relative economic status groups. This is consistent with our earlier result that relative economic status does not affect the amount returned by player 2. Thus, we fail to reject hypothesis H3.

Given player 2's choice, we investigate the motivations behind player 1's investment decision. We argue that if player 1 believes that player 2 would display the social-welfare preference ($1 > \rho \geq \sigma > 0$), i.e., for any positive amount invested, player 2 would choose p_2 to increase π_1, then player 1 would find it optimal to invest more. Furthermore, the difference in investment decision across different treatments would reflect the different beliefs held by player 1 in different treatments. Formally, we consider the following hypothesis,

H 4. *Player 1 would believe player 2 to reciprocate and would choose a strictly positive amount to invest. Furthermore, player 1 from the LOWER treatment would be more likely to believe player 2 would reciprocate compared to subjects in the HIGHER treatment.*

To test this hypothesis, we consider the data collected in the post-experiment survey on the subjects' motivations for giving behavior. Since subjects can give more or give less for various reasons for each treatment (HIGHER, SAME or LOWER), we ask five possible reasons for the giving decision. The three common choices across all treatments were selfish reason, giving more because trust the other player, and they will both be in a win-win situation; and giving less because they do not trust the other player to return anything. This would capture player 1's belief about player 2's reciprocity.

For $LOWER_{ij}$ and $SAME_{ij}$, we asked if altruism (the other will need more/get more) is a probable reason for giving more. For $HIGHER_{ij}$, we asked if they give more since a small amount won't be significant enough for a relatively richer partner. Similarly, for $LOWER_{ij}$ and $SAME_{ij}$ we ask if they give less because their opponent would need less and for $HIGHER_{ij}$ we ask if they give less because of reverse altruism (the other will need less).

In the table 11 below, we report the percentages of player 1 providing reasons behind their investment decision.

	LOWER	SAME	HIGHER	Total
Motivations to give 'more money'				
Do trust	65%	54%	56%	58%
Altruism	13%	13%	-	10%
Significant enough	-	-	3%	1%
Motivations to give 'less money'				
Reverse altruism	-	-	24%	6%
Don't trust	10%	25%	7%	16%
Selfish	5%	4%	10%	6%
Significant enough	7%	-	-	2%
Others	-	4%	-	1%
N	82	108	59	249

Table 11: Motivation behind the trustor's decision by relative economic status

Table 11 illustrates that *trust* is the predominant reason for giving more by player 1. However, across the three different groups, the $LOWER_{ij}$ subjects are more likely to trust their opponents. To test whether reporting trust is the main driver of their behavior affects player 1's investment decision, we run the following set of regressions.

$$Proportion\_Invested_i = \gamma_0 + \gamma_1 \cdot Reported\_Trust_i + X_i + U_i \tag{11}$$

$$Reported\_Trust_i = \gamma_0 + \gamma_1 \cdot LOWER_{ij} + \gamma_2 \cdot SAME_{ij} + X_i + U_i \tag{12}$$

	(1)	(2)
Dependent variable: Proportion_invested		
Reported_trust	0.208***	0.206***
	(0.0284)	(0.0288)
Controls	✗	✓
Constant	0.276***	0.157
	(0.0216)	(0.102)
Observations	249	249

Standard errors in parentheses.

* Significant at 10%; ** Significant at 5%; *** Significant at 1%.

Table 12: Marginal effect self-reported trust on the average proportion invested

Table 12 shows that subjects who report trust as the main motivation behind their decision tend to invest 20.8% (INR 62) more compared to other subjects. Thus, reported trust is a major driver behind investment decisions.

	(1)	(2)
Dependent variable: Reported_trust		
$LOWER_{12}$	0.0870	0.112
	(0.0840)	(0.0942)
$SAME_{12}$	−0.0223	0.000966
	(0.0810)	(0.0890)
Controls	✗	✓
Constant	0.559***	0.621***
	(0.0650)	(0.238)
Observations	249	249

Standard errors in parentheses.

* Significant at 10%; ** Significant at 5%; *** Significant at 1%.

Table 13: Marginal effect of relative economic status on self-reported trust

Table 13 examines whether self-reported trust varies systematically with relative economic status. Reported_trust is a dummy variable that takes the value 1 only if the trustor reports *trust* as the motivation for their decision. Column (1) reports the effect of relative economic status on self-reported trust without controls, while Column (2) includes controls. The estimated coefficients for being matched with a relatively lower or the same economic status are in the expected direction but are not statistically significant at conventional levels (p-value = 0.118). Thus, we do not find strong evidence that relative economic status

significantly predicts reported trust.

Since self-reported motivation can be subject to biases, as a robustness check, we measure generalized trust using the subject's economic network. Karlan et al. (2009) shows a positive relationship between network and trust. Following this, we hypothesize that a large economic network would imply a higher generalized trust. To measure this, we ask the subjects, in case of economic distress, e.g., a family member falls sick or a case of bad harvest, who they would be willing to help. The "give-help index" is the average of the two variables related to giving help.

We find that, on average, trustors with higher relative economic status are more likely to report that they would be willing to help someone from their larger network over and above someone from the same family in case of economic distress (refer to table 14).

	Family falls sick			Bad harvest		
	$LOWER_{12}$	$SAME_{12}$	$HIGHER_{12}$	$LOWER_{12}$	$SAME_{12}$	$HIGHER_{12}$
Same family (only)	67%	75%	76%	59%	72%	64%
Larger network	33%	25%	24%	41%	28%	36%
N	82	108	59	82	108	59

$LOWER_{12}$, $SAME_{12}$, $HIGHER_{12}$ refer to Player 1 being matched with a lower, same, or higher ES Player 2, respectively.

Table 14: Percentage of trustors reporting whom they will help

	(1)	(2)
Dependent variable: give_index		
TrustorStatus_higher	0.0753	0.0870
	(0.0632)	(0.0699)
TrustorStatus_same	−0.0327	−0.00543
	(0.0599)	(0.0642)
Controls	✗	✓
Constant	0.297***	0.422**
	(0.0482)	(0.171)
Observations	249	249

Standard errors in parentheses.

* Significant at 10%; ** Significant at 5%; *** Significant at 1%.

Table 15: Effect of trustor relative economic status on give index

The estimated coefficients for being matched with a relatively lower economic status are in the expected direction but are not statistically significant at the conventional levels (p-value = 0.107).

To interpret the willingness to help someone from the larger socio-economic network as reporting higher generalized trust, we need to test whether a higher give_help index also translates to a higher proportion of endowment invested by player 1, the trustor. To test, we consider the following empirical specification:

$$Proportion\_invested = \tau_0 + \tau_1 \cdot give\_help + X_i + U_i \tag{13}$$

give_help is the average of two dummy variables, as defined above. The results from the regression 13 are reported in table 16 below.

	(1)	(2)
Dependent variable: Proportion_invested		
give_index	0.0955**	0.0928**
	(0.0413)	(0.0427)
Controls	✗	✓
Constant	0.367***	0.280**
	(0.0199)	(0.112)
Observations	249	249

Standard errors in parentheses.

* Significant at 10%; ** Significant at 5%; *** Significant at 1%.

Table 16: Marginal effects of 'give help index' on trustors' offer

Table 16 shows that a higher value of give_help index, i.e., subjects who are likely to also help someone in economic distress from outside their family, are also more likely to invest more in our experiment. This is suggestive evidence of generalized trust playing a role in investment decision by player 1.

5 Discussion and Conclusion

There are several other models of reciprocity and difference aversion that are used to understand how agents, who have reciprocity motives or inequality concerns, behave in a positive reciprocity game. We consider a few such canonical models, for example, fairness equilibrium by Rabin (1993), inequality aversion by Fehr and Schmidt (1999), the ERC theory by Bolton and Ockenfels (2000), the intentional reciprocity model by Falk and Fischbacher (2006), in appendix A. As already explained in section 4, we do not find any evidence of difference aversion or competitive behavior.

We also examine whether subjective perceptions of inequality influence behavior in the trust game in Appendix B. In the post-experiment survey, participants reported perceived inequality at the village, district, and state levels. First, we find no significant differences

in perceived inequality across the treatments; that is, individuals matched with HIGHER-, SAME-, or LOWER-status partners report similar levels of perceived inequality at all geographic levels. Second, when we relate perceived inequality to behavior, we find no significant evidence of perceived inequality playing any role in trust or trustworthiness. Taken together, the evidence does not support a systematic link between perceived inequality and either trust or trustworthiness in our experimental environment, consistent with our finding that subjects don't exhibit inequality-averse preference.

To conclude, we conduct a lab-in-the-field experiment with agricultural households in rural Haryana, India to understand the role of relative economic status on trust and trustworthiness. We find that when matched with opponents of lower economic status, subjects trust more, as reflected in an increase in the trustor's investment. However, the relative economic status of the trustor does not affect the trustee's trustworthiness.

Following Charness and Rabin (2002) we show the trustees in our experiment exhibit social-welfare preference. We find no significant difference in this preference across different treatments. When the trustor believes that the trustee will return more, he invests more. Furthermore, trustors matched with LOWER economic status trustees are more likely to believe that the trustee will reciprocate.

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